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# The Relations of the Railways and the Public



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President

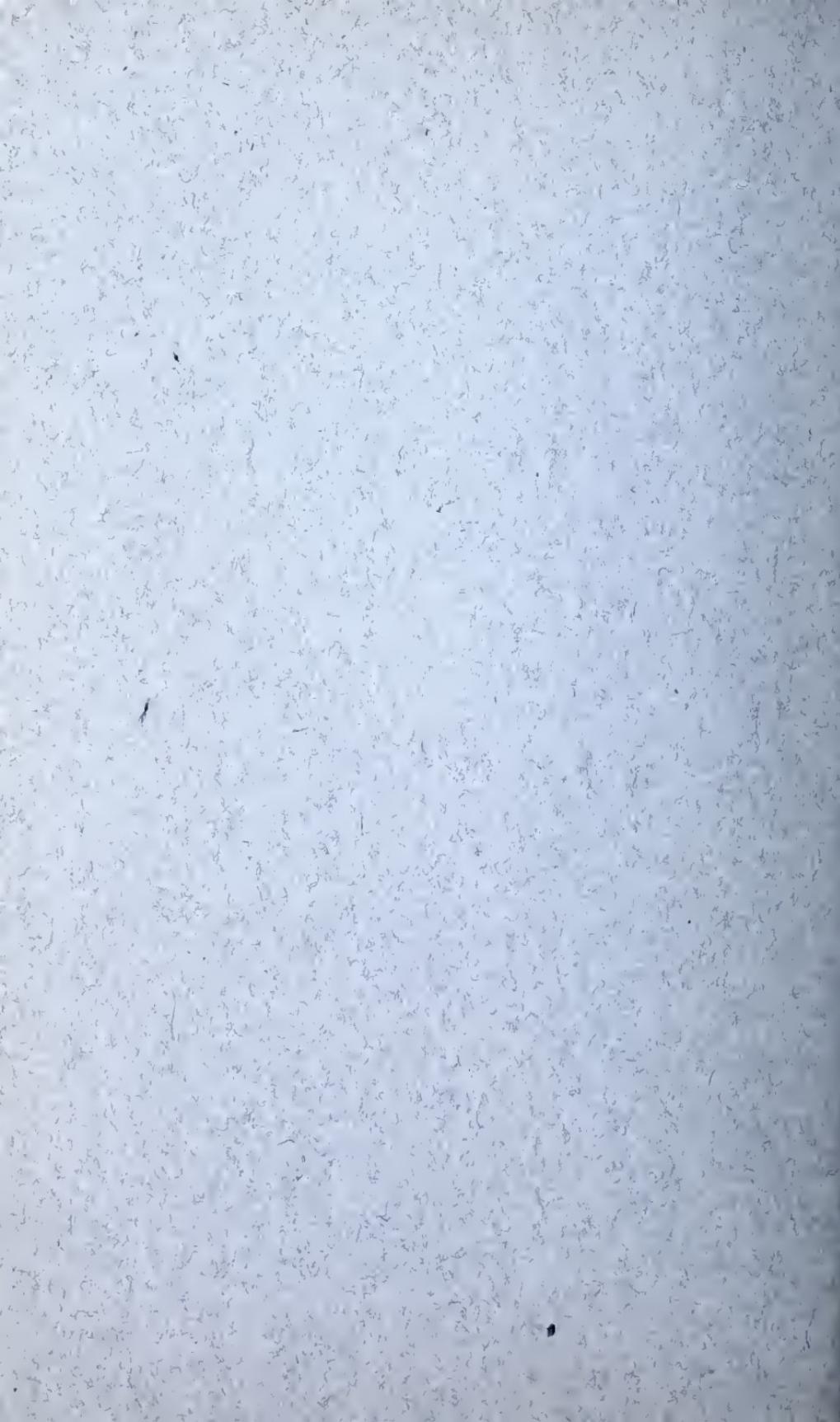
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I have accepted your invitation to address you in the belief that it indicates your interest in the railway problem of the United States. That there is such a problem all agree, however much they may differ as to its true nature and proper solution; and it is a problem in which it is very desirable that the more intelligent and public-spirited of our citizens, such as those composing this society, shall actively interest themselves. Not only is it desirable that they should do this, but it is their positive duty. On the way the railway question is finally settled will greatly depend the welfare of the nation. Public opinion will determine whether it will be settled right. In order that public opinion may cause it to be settled right the public must have good leadership; and that leadership should be furnished by men such as you, whose education, training and position in life fit them to study important public questions intelligently, to consider them rationally, to decide about them without selfish prejudice and to secure a respectful hearing for their views.

We hear much complaint from educated and well-to-do people because public opinion allows, and even causes, much of our administration of public affairs to be wasteful and inefficient. While these complaints are well founded, the conditions which justify them usually are largely due to the derelictions of those who make the complaints. If the railway question is not settled right, or if it and the unsatisfactory railway situation out of which it

grows continue to be disturbing and harmful elements in our public and business affairs, the responsibility will rest mainly on the shoulders of that more intelligent and capable class of our citizens who can, if they will, guide public sentiment into right channels.

Our railway problem exists, first, because certain conditions under which our railways are conducted are unsatisfactory, and, second, because certain features of their management and operation are not what they should be on some railroads. It is generally recognized that to solve the problem presented there should be changes made in the relations existing between the people and the governments of the states and the nation, on the one hand, and the managements and owners of the railways, on the other hand. Some people believe these changes should be effected by the adoption of government ownership and management of the railways. Others believe the needed changes should be accomplished by modifications in the present policy of regulation, in which latter class I place myself.

I believe a majority of the people think at present that the adoption of government ownership would not promote the public welfare but would have the opposite result. If we consider the effects of this policy in other countries, and the conditions under which it would be tried here, we must concur in this view. There are a very few countries, Prussia affording the best example, where state railways have been managed with a considerable degree of success, but in most countries both the economic and political results of government management

have been bad. Forty years ago an Italian commission which had thoroughly studied the subject expressed the opinion that under government ownership politics would corrupt the railroads and the railroads would corrupt politics. This view has been supported by the experience of Italy itself and by that of France, of Australia, of Canada, and of every other country where the conditions have been such as to make it possible for politics to affect government management. Nowhere else, perhaps, has the deplorable influence which politics is almost certain in a democratic country to exert on government railway management been more strikingly illustrated than in our next-door neighbor, Canada.

Since 1867 the Dominion has owned and operated the Intercolonial Railway, and since 1873 the Prince Edward Island Railway. These lines now have a mileage of 1,734 miles. Never in a single year since the government acquired it has the Prince Edward Island Railway earned even its operating expenses, to say nothing of interest on the investment in it. The Intercolonial in the forty-seven years it has been under government management has failed by \$8,500,000 to earn its operating expenses, to say nothing of interest on the large investment which the people of Canada have made in it. If you add to the operating deficits which these railways have incurred the interest on the investment which they have failed to earn, and which has, therefore, had to be paid from taxes, the total losses they have inflicted on the tax-paying public of Canada run into hundreds of millions of dollars. Other railways in eastern Canada owned by private companies have charged practically the same rates as these govern-

ment railways and have been operated at a profit. The reason for the enormous losses incurred by the government railways is that they have been run largely on political instead of business principles.

This is not all the experience Canada has had with public ownership. In 1904 the government began the construction of the National Transcontinental Railway from Moncton to Winnipeg. The official estimate of its cost was \$61,415,000, or \$34,083 a mile. At the end of 1914 the line had not been provided with equipment or adequate terminals, and yet up to that time there had been spent on it \$173,000,000, or about \$99,000 per mile. A government commission appointed to investigate its construction denounced it as enormously wasteful, and the Grand Trunk Pacific, to which it had been intended to lease the line for operation, refused to take it over because it could not afford to pay three per cent. interest on the excessive expenditure which had been made.

The explanation of the wasteful construction of the National Transcontinental is the same as the explanation of the wasteful operation of the Inter-colonial. The work was done on political rather than business lines. The principle of the "pork barrel" had dominated the management and construction of government railways in Canada as it has the development of waterways, the erection of public buildings and a good many other matters in this country.

The experience of other countries and the conditions in our own warn us that we cannot afford to try the experiment of government ownership of railways here; at least, not until our government

management would not be rendered impossible by politics of the "pork barrel" variety.

There is only one alternative to government ownership. This is a system of wise and fair regulation. Railway managers are often accused of not recognizing this fact. They are often charged with being opposed not merely to effective regulation, but to any regulation. I deny this. I know the consensus of opinion of our railway managers, and I assert emphatically that they are not opposed to any regulation or to effective regulation, but that they appreciate the need of it and are as strongly and sincerely in favor of it as any other class of our citizens. They are in favor of effective regulation because they know that this is the only alternative to government ownership, and as patriotic citizens they are opposed to government ownership. They would be in favor of it even in the absence of the danger of government ownership, because they recognize the fact that effective regulation, if it be also wise and fair, will promote the interests and protect the rights not only of the general public but also of the owners, the officers and the employees of the railways themselves.

It is, therefore, not just to assume when railway men criticize the present system of regulation that they are objecting to any and all regulation. It is not any and all regulation they oppose, but certain kinds of regulation which they regard as unwise and unfair, and as, therefore, not only unjust and harmful to the railways, but prejudicial to the welfare of the public.

All intelligent railway men recognize the fact that there have been in the past shortcomings and

abuses in the management of some, if not all, of our railways and that government regulation has helped to correct some of these. They concede that there are still such shortcomings and abuses and that government regulation can, and ought to, help to correct them. But they also believe that there are some very serious shortcomings and abuses in the present system of regulation; that in consequence it is doing harm as well as good; and that unless it is radically changed and raised to a higher plane of efficiency and fairness, it will fail in the long run to do much of the good that the public desires and will do much harm, which the public does not intend.

In order that we may better understand the situation, let us first consider what are the purposes which government regulation ought to seek to accomplish. Let us, then, briefly review the means which it is using to attain these ends and the effects which they are producing; and let us finally consider some of the steps which should be taken to better adapt our system of regulation to the accomplishment of its proper objects.

The three main purposes of government regulation should be to further the economy, efficiency and safety of railway operation; to cause rates to be reasonable and non-discriminatory; and to make investment in railway securities safe and attractive.

It is generally recognized that regulation should seek to improve railway service and to make rates fair and reasonable. It is not so generally recognized that it should aim to improve railway securities as investments. But there are some very good reasons why it should do this. In the first place,

if either railway management or government regulation is such as to make investors in general afraid to buy railway bonds and stocks, the companies will be unable to get enough capital to make their service good and adequate. In the second place, not only is the railway business a very large industry, but it is also one which can be put on such a basis as to make it both feasible and desirable for large numbers of people of small means to invest in it. Now, since this can be done, it becomes a thing that ought to be done. Nothing better promotes the prosperity and welfare of a country than the practice of thrift on the part of its people. The degree to which they will be thrifty is likely to depend largely on the opportunities open to them for the safe and profitable investment of any amounts, however small, which they may save. But the trend of our economic and industrial affairs for some years has been such as to reduce rather than to increase the number of the kinds of openings which formerly existed for the class of small investors. Corporate organizations have been growing in size and number and driving out the small concerns in which the small investor used to put his capital. If new opportunities for the investment of small savings are not opened up the number of people who have no direct ownership of property will continue to increase. This will be a bad thing for the individuals who own no property and a bad thing for the nation. A savings bank account is a good thing; but it is not a satisfactory substitute for the actual ownership of property. The best substitute we can offer for the opportunity to invest in small properties is the opportunity to acquire with reasonable safety

small interests in large concerns, such as our railways and industrial corporations. This opportunity can be afforded only by having these concerns both managed and regulated honestly and wisely and in the interest of those who invest in their securities as well as in the interest of those who buy their goods and services or who are employed by them. There is just as much reason, from the standpoint of the general welfare, why our government should seek to make small investments in our industrial and railway corporations profitable and safe as why they should try to make small investments in our farms attractive and safe. We need to secure the widest possible diffusion of the direct ownership of property. The more widely the ownership of property in a country is diffused the more stable will be its institutions and the more certain its prosperity.

Railways may be regulated either by law-making bodies or by commissions created especially for that purpose. If regulation is to be wise it must be done by bodies having some expert knowledge of railway matters. A commission may have such knowledge, but a legislative body cannot have it. If regulation is to be fair it must be free from political and other influences that will tend to divert it from its proper purposes. A commission may be comparatively free from political influence, but a legislative body cannot be. For these and other reasons the function of regulation should be delegated chiefly to commissions.

A commission whose members are appointed for long terms is less likely to be influenced by political and other influences tending to impair its fairness and efficiency than one whose members

are elected for short terms. Therefore, members of commissions should be appointed and their terms of office should be long. Indeed, I am inclined to believe that it would be conducive to their greatest fairness and efficiency if their members, like our federal judges, were appointed for life.

In most important respects, from the standpoint of the public, our railways constitute a single transportation system extending into every part of the country. Regulation should, therefore, be directed toward promoting the interest of the nation as a whole. Local and sectional conditions and needs should be considered both in their management and in their regulation. But clearly, regulation should not be allowed to further the interests of some classes of the people at the expense of the people as a whole, or to promote the interests of some localities and sections at the expense of the country as a whole. Therefore, regulation should be made as consistent and uniform as is practicable, and regulation by communities and states should be subordinated to that of the nation.

Regulation should not be such as to make railways unprofitable, because this would hamper their development and thereby hamper the development and impair the prosperity of the entire nation.

These principles all seem obvious and fundamental. Are they observed as well as they should be?

There is not one of them which is not violated. The nation has created the Interstate Commerce Commission and forty-five states have created railroad or public service commissions. Nominally, these are all expert bodies, and theoretically, the legislatures and Congress have delegated to them

the function of regulation. In practice the legislatures and Congress at almost every session, without investigation, impose on the railways burdens and requirements affecting operation and rates, the desirability and reasonableness of which ought to be left to be determined by the commissions after investigation. Within the last four years there have been 3,016 bills introduced in the state legislatures for the regulation of operation alone, of which 436 have been passed. The members of many state railroad commissions are elected and, of course, in their election political considerations, and not their special fitness for their duties, govern. Even when they are appointed they are often selected, not because of their special fitness, but for political reasons. It is inevitable that bodies thus constituted should not be expert and impartial to the degree that they ought to be. The want of impartiality of some of them is illustrated by the facts that seven state commissions appeared as parties against the railways in the five per cent. rate case and that sixteen state commissions have appeared as parties against the railways in the cases involving advances in freight and passenger rates in Western territory.

Furthermore, state regulation is usually controlled largely by local considerations and directed to the furtherance of the supposed interests of the people of the state at the expense of the interests of the people of the nation.

Finally, almost all of our regulation is directed toward restricting the net earnings of the railways within the narrowest limits that the courts will permit, whereas, as I have already stated, the governments should seek to promote the prosperity of the

railways for much the same reasons and to the same extent that they do the prosperity of other lines of business in which the people invest their capital.

As much of the legislation passed is enacted without sufficiently thorough previous investigation, it is necessarily arbitrary and not adapted to promote any of the purposes of sound regulation. As there is almost no coöperation between the various state commissions, or between them and the Interstate Commerce Commission, and almost no coördination of their activities, it naturally results that the requirements imposed on the railways are often inconsistent and even conflicting. As the legislation passed, and even the orders sometimes issued by the commissions, often are secured almost entirely at the instance of and under pressure from certain well-organized classes of persons, it is not surprising that their intent and effect often is to promote the interests of these classes at the expense of the railways and the rest of the public.

For example, under the head of regulations affecting operation, we have in a number of states laws requiring the railways to man their trains with so-called "full crews." These laws purport to have been passed in the interest of public safety. They have been secured by the agitation and pressure of railway labor organizations and their real purpose is to force the railways to employ men they do not need. The railways succeeded in getting a referendum vote of the people on it in Missouri, and after hearing the question fully discussed the people repealed a full crew law by a vote of more than two to one. They succeeded in getting a full discussion before the people and the legislature in Pennsyl-

vania, and the legislature passed a bill to repeal a full crew law by a large majority and to delegate to the public service commission the authority to require railways to "employ a sufficient and adequate number of men" on their trains, although the repeal bill was subsequently vetoed by the Governor on entirely insufficient grounds. The railways succeeded in Connecticut in getting the excess crew question referred by the legislature to the state public service commission for investigation; and the commission reported that such regulation was not only unnecessary, but contrary to the public interest. The true nature of the so-called "full crew" laws having now become generally understood, attempts are being widely made to get passed bills to limit the length of trains, which would be even more unjustifiable and the effects of which would be more harmful.

Again, a number of states have passed laws requiring the railways to use high power headlights. But when this question was referred to the Wisconsin railroad commission—one of the ablest bodies of its kind in the country—and subjected to thorough investigation, a report adverse to the proposed regulation was made.

The inconsistencies between the regulation of the states themselves and between that of the states and the national government is illustrated by the fact that while numerous states have adopted legislation regarding train crews or headlights, the federal government has not done so, and that there are wide variations between the provisions of the laws of the states and of the nation regarding the hours of service of railway employees.

The regulation of rates by the various states and

by the federal government originally was intended largely, and in the case of the federal government, mainly, to correct unfair discrimination. It has produced a good effect by correcting many such discriminations; but it is now producing bad effects by actually creating other and equally unfair discriminations. For example, at a time when the interstate passenger rates of the railways in most parts of the country were 3 cents a mile, numerous states passed laws reducing state rates to 2 cents a mile. In some states railways got these laws set aside as confiscatory. In others, in order to avoid discrimination between state and interstate rates, they reduced the interstate rates also to 2 cents. In the five per cent. rate case the Interstate Commerce Commission indicated that it believed that these low passenger rates were not yielding enough revenue to cover the part of railway expenses properly chargeable to passenger service and that the railways should raise them. The railways in eastern territory did raise the interstate passenger fares to 2½ cents a mile and tried to get the state legislatures to increase the state rates. This the legislatures did not do, and, in consequence, there has resulted an unjust discrimination between state and interstate travel brought about by the inconsistent policies of the regulating authorities representing the public itself.

There are likewise unfair discriminations in freight rates due to the same causes. In the Shreveport case, the Interstate Commerce Commission called attention to the fact that an unfair discrimination had been effected between certain state rates between certain points in Texas and certain inter-

state rates between Shreveport, Louisiana, and the same points in Texas, by the rate-making policy of the Texas railroad commission. Again, in the western freight rate case, it refused to allow certain advances in rates on live stock because certain of the interstate rates involved were already higher than corresponding rates fixed by legislative enactments or by the orders of state commissions. Here, again, were unfair discriminations established by the very policy of regulation entered on to stop unfair discriminations.

If you turn to the field of regulation of the financial management of the railways you find somewhat similar conditions. Practically all of our railway corporations have been chartered by the states which have created them. Some states have been lax in creating and regulating railway corporations. This laxity has left the door wide open for corporations created by these states to go forth into other states and handle their financial affairs in ways perhaps condemned by the public opinion of the country. On the other hand, other states, such as Texas, have imposed such stringent regulations on the financial management of railways within their borders as seriously to hamper their development and even to make them heavy burdens on the parts of the same railway systems in other states.

The period during which the present system of regulation has been applied dates from about ten years ago. This period has been, as you know, one of steadily and rapidly increasing costs of operation. This has been partly due to our policy of regulation but mainly to the higher standards of service which the public has expected, to increases in taxes and to

advances in wages which railway labor has demanded and which boards of arbitration organized under federal law have granted. I do not believe that even as yet the public has anywhere near an adequate knowledge and appreciation of the effect on the railway industry in general which has been produced by these various influences and which must continue to be produced if they continue to be exerted.

The eight or ten years prior to 1906 and 1907 were years of steadily and even rapidly increasing railway net earnings. Those since have been years of just as steadily and rapidly declining net earnings. This is not true of every individual road. There are a number of individual railways which, because of exceptionally good management or unusually fortunate situations, have continued to prosper, and some of them are even more prosperous than they were ten years ago. But these roads are no more typical than are certain roads at the other extreme which, because of bad management or unfortunate situations, have declined into the depths of adversity. It is the situation of the railways as a whole, not that of individual lines, which it is important for us to consider. Taking them as a whole, we find that in the seven years before 1906 their net return on their investment in property substantially increased, whereas in 1913 it was less than it was in 1906, in spite of the fact that they had meantime made many improvements and many economies in operating methods and that they had the largest gross earnings per mile in 1913 that they ever enjoyed. If you compare the trend of their expenses and earnings between the eight years 1898 and 1906,

and between the eight years 1906 and 1914, in the latter of which there was a decline in total earnings, you will find ample evidence that their condition in the latter period was much less healthy and promising than in the former. Statistics compiled by the Bureau of Railway Economics from reports made by the railways to the Interstate Commerce Commission show that in the eight years before 1906 the density of passenger traffic increased 58.05 per cent., while in the eight years following it increased less than 25.98 per cent. In the former period the density of freight traffic increased 59.01 per cent., while in the latter it increased only 19.8 per cent. There were reductions in both the average passenger and the average freight rates during the later period, and, in consequence, while total earnings per mile increased 54.85 per cent. during the earlier period, they increased only 21.1 per cent. during the later period.

Let us now turn from the figures regarding traffic and earnings to those regarding expenses. In the eight years before 1906 the average annual wage per railway employee increased only 7.95 per cent., while in the eight years after 1906 it increased 32.57 per cent. In the earlier period taxes per mile increased only 41.77 per cent., while in the later period they increased 69.05 per cent. Operating income is what the railways have left after paying all their expenses and taxes. Because of the differences in the tendencies of earnings and expenses before and after 1906, in the earlier period of eight years average operating income per mile *increased* 53.83 per cent., while in the period between 1906 and 1914 it decreased 10.55 per cent.; and this in spite of the

fact that in the earlier period of eight years the investment in road and equipment per mile of line increased only 3.88 per cent., while in the later period it increased 20 per cent.

The fiscal year ended June 30, 1914, ended before the war in Europe began, and the results of it were affected only by the business and transportation conditions existing in our own country; and yet the results in it were discouraging. In the fiscal year ended June 30, 1915, the total earnings of the railways were \$163,000,000 less than they were in 1914. The net earnings were slightly larger than in 1914, but much smaller than in 1913; and the slight increase in them over 1914 was attained by drastic economies which included sharp reductions in expenditures for both the maintenance of equipment and maintenance of way. It is needless to tell members of the engineering profession that these reductions in maintenance expenses probably in most cases were more nominal than real and resulted from deferring work which was really needed to keep the properties in good condition.

The net return on the investment in road and equipment of our railways in 1898, when they were just beginning to emerge from a period of profound business depression, in which companies with a large mileage had become bankrupt, was 3.64 per cent. This had increased in 1906 to the very moderate figure of 5.39 per cent. Then began the period in which railway outgo was to increase faster than railway income, and in 1914 the net return on property investment had declined to 3.99 per cent. When complete figures are available they probably will show that the percentage of net return in 1915 was

still lower. In other words, although the railways are paying higher wages to their labor and larger taxes than they were in 1898, or even in 1906; although they are rendering a larger quantity and a much better quality of service to the public, the percentage of net return on the investment in their properties is now practically down to where it was seventeen years ago.

One result is that many railways have become bankrupt. According to the latest available statistics there are now 82 railways in the hands of receivers, having a mileage of 41,988 miles and a capitalization of \$2,264,000,000. This is the greatest mileage ever in the hands of receivers in this country. It is a significant fact that the mileage of bankrupt roads is larger in proportion in the Southwest, where the policy of regulation has been the most repressive, than in any other section. Furthermore, the construction of new mileage and the improvement of the facilities of that already existing have been seriously curtailed. The new mileage built has shown a downward tendency since 1906 and was smaller in 1914 than in any year since 1895. There have been heavy reductions in the purchases of equipment and supplies; and, in consequence, many thousands of men have been thrown out of work in both the railway and the railway supply businesses and every line of commerce and industry has been adversely affected.

Now, I would not be understood as attributing the unsatisfactory conditions which have been prevailing in the railway industry, and the resulting effects on business in general, entirely to regulation. They have been due to a combination of

causes. There would no doubt have been large increases in the operating expenses and taxes of the railways if the policy of regulation had never been begun. The great faults of regulation have been that, first, in many ways it has unwisely and unnecessarily enhanced the increases in expenses, and that, second, it has at the same time prevented most of the increases in rates which these increases in expenses made desirable, and, indeed, in the face of these increases in expenses, has actually compelled many reductions in rates. The average annual wage of railway employees was 43 per cent. higher in 1914 than in 1898 and average taxes per mile were 140 per cent. greater; yet the average passenger rate and the average freight rate were actually lower after these increases in wages and taxes had occurred than before. Under an entirely intelligent and fair policy of regulation the public authorities would have coöperated with the managements of the railways in their efforts to solve the problems presented by the great and rapid increases in their expenses and taxes. Under the policy actually followed regulation has made their problem more difficult and complicated, with the results just mentioned.

Now it may be said that the railways have brought upon themselves much of the trouble from which they are suffering. I admit that. On the whole, the managements of our railways have been as able, as honest and as efficient as those of any other railways or other large corporate business in the world. But, as I have already conceded, many mistakes have been made and many offenses have been committed by them. It is because of these

things that, as railway men now admit, regulation became desirable for the protection and benefit of the public and even of the railways themselves. But is the fact that the managements of the railways have not always been wise and fair any reason for adopting and persisting in a policy of unwise and unfair regulation? Clearly not. Is it not evident that the policy of regulation which has been followed has not established, and is not adapted to establish, satisfactory relations between the railways and the public? Is it not evident that it has not been promoting, and is not adapted to promote, the purposes which regulation ought to promote? It is not making the operation of railways more economical and efficient. It is substituting new forms or unfair discrimination in rates for those which have been abolished. It is preventing rates from being so adjusted as to meet the increasing demands on railway revenues. It is helping to make railway securities unattractive rather than attractive both to the large investor and the small investor, and is forcing the railways to sell bonds to raise capital when they ought to be selling stock and to sell short time notes when they ought to be selling bonds, thereby rendering them financially top-heavy and incapable of weathering the financial storms which are sure to break over us in the future as in the past. In order to establish satisfactory and beneficent relations between the railways and the public, our regulation of railways, as well as our management of them, must be put on a sound basis.

The remedy for the defects in our policy of regulation seems to me obvious. It should not be destroyed, but it should be made less rigid and more

flexible, less restrictive and more constructive, less the work of amateurs and more the work of experts. The legislatures should cease passing without investigation arbitrary laws for the regulation of features of the railway business with which their members, from lack of time and want of special knowledge, cannot possibly become competent to deal, and leave the performance of the function of regulation almost entirely to commissions. The commissions should be made in fact as well as in theory impartial bodies of experts. The state commissions should be restricted to the regulation of purely local and state matters and the Interstate Commerce Commission should be expressly authorized and required by law to overrule the state authorities when they adopt regulations the effect of which is to interfere with and burden the commerce of other states and the commerce of the nation as a whole. As I have already said, in all important respects the railways of this country constitute a single system, and, therefore, the kind of regulation that should be applied to their operation, their rates and their financial affairs should not be determined by imaginary lines which separate the states from each other, but should be national, consistent and as uniform as the more or less varying conditions in the country as a whole may justify. There may be reasons for applying some different rules in states in which the conditions differ as widely as they do in Massachusetts and Arizona; but there cannot be any good reason for applying widely different and wholly inconsistent requirements in states adjacent to each other, such as Nebraska and Kansas, or Massachusetts and Connecticut; and there certainly cannot

be any good reason why a state government should apply one rule in a state and the federal government should apply an entirely different rule in the same state. Both these things are done now. There can be no good reason why a state passenger should be allowed to travel for 2 cents a mile in a state when the Interstate Commerce Commission has held that 2½ cents is a reasonable rate for interstate travel in that same state, which is being done now. There can be no good reason why a state law in Texas, for example, should prescribe certain hours of work for railway employees engaged in state commerce when a federal law prescribes different hours for all railway employees engaged in interstate commerce, which is what is being done now. There can be no good reason why the Interstate Commerce Commission should hold that the earnings of the railways in eastern territory are not as large as they should be in the interest of the public, and that at the same time the states should be allowed to prevent the increases in earnings which the Interstate Commerce Commission holds should be permitted in the interests of the public. Yet this is being done now.

At the same time that state regulation is being improved and brought into a proper relationship of subordination to and coördination with federal regulation, there ought to be changes made in the organization of the Interstate Commerce Commission which will better fit it for the performance of its added duties. I personally would favor increasing the salaries of its members and having them appointed for life. Their duties are as important as those of any other officers of the government, and

their positions should be made such that they will be attractive to the ablest men in the country and that the incumbents will be immune from political and all other improper influences. When these and other changes have been made which will strengthen the Commission and increase its independence, I believe it would be both safe and desirable to increase its powers in several directions. If there is to be regulation of operation this should be done by the Interstate Commerce Commission. If there is to be regulation of the issuance of railway securities, as there already is in some of the states, the necessary authority, with proper restrictions, should be delegated to the Interstate Commerce Commission.

At the same time the Commission should be empowered to raise rates which it regards as too low, as well as to reduce rates which it thinks are too high; and this power should apply to state rates when the Commission regards them either as unremunerative or as working an unfair discrimination against interstate commerce. The Commission is now greatly hampered in its regulation of rates by the fact that the law authorizes it to fix maximum rates but gives it no power to fix minimum rates. The law requires it to make rates reasonable, but gives it no power to make them reasonable if the defect in them happens to be that they are unreasonably low. The Commission should be given a clear mandate to make rates reasonable in the sense that they will not only never be excessive to the shipper or traveler but will always also be fairly remunerative to the railway.

Our policy of regulation has thus far been one-sided. It has been tacitly predicated upon the as-

sumption that its sole purpose should be to protect the rights and promote the interests of those who use the service of railways and who work for them. It has too often ignored the fact that those who invest in railway securities are also a class of our citizens possessing exactly an equal claim to have their rights protected and their interests promoted by the government. What is even more serious and important, those who have been responsible for our policy of regulation too often have not recognized the fact that the interests of the patrons of the railways and their employees will suffer if the rights and interests of the investors in them are not protected and promoted. It is only by the investment of adequate additional capital in railways that their facilities may be sufficiently improved and expanded. Furthermore, it is only by the investment of additional capital in the railways that there will be created an increased demand for labor on them; and the increase in the employment they afford will be in proportion to the increase in the investment in them. Therefore, the only policy of regulation of railways which will confer the maximum benefits practicable on each class that is directly interested, and on the public as a whole, will be one which will equally consider the rights and interests of the traveler, the shipper, the employee and the investor.

In conclusion, if I have succeeded in lodging in the minds of any of you gentlemen any particular point regarding the relations of the railways and the public that will induce you to use your influence for improvements in these relations, I am well repaid for presenting this matter to you as I have.